

## **The Study of the Effect of Internet Marketing Strategies on Development of the Export Market (Case Study: Pars Wagon Company)**

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### **Abstract**

In this paper, the attitude and radical transformation in digital marketing, by using digital marketing as a competitive weapon in the hands of the dealer or manufacturer, were reconsidered as a way to increase exports by the Pars Wagon Company. In this study, an export questionnaire with reliability of 0.937 was used for data collection. A total of 37 employees of Pars Wagon Company constituted the study population. Questionnaires were distributed randomly among a group, where finally 25 were completed and analysis was performed on them. The results showed that covering part of the costs of participation in trade expeditions for target markets using digital marketing does not affect railway product exports. Supporting the development of digital marketing training activities in the export sector does not affect the development of rail exports. Digital marketing agency offices abroad did not affect the development of rail exports. Finally, helping digital marketing programs is effective on the development of rail exports.

**Keywords:** Marketing Strategy, Internet Marketing, Export, Pars Wagon Company

### **Introduction**

Revolution in informatics is the characteristics of mainstay human life in the beginning of the third century and this evolution influences various domains. The speed of this evolution is so rapid that humans have not yet as its inventors been able to coordinate various pillars of their life with this amazing change. Various parts of culture such as the family, education, women and their role have also not remained immune from these changes and this means all inclusive changes. Trade as well has expansively been influenced by the waves of this revolution and need for redefining its main foundations has exacerbated. The market, exchange, buyer, retailer, marketing, etc, all require manipulation in their traditional definition so they can agree with and move alongside the new realities.

In this same period, the change in the show stage of this revolution, from none online to online approaches have themselves presented new necessity for re-identification of elements and indices in all areas particularly the trade sector. Internet as embodiment of face to face exchanges has created a platform for speeding transactions and a catalyst for introduction of products, their competitive pricing and electronic and without mediator distribution. In this line, marketing has also as an efficient trading arm been influenced by these changes such that past choices of marketers have lost their application and it has become necessary for acquisition of renewed credibility mental renovation in outlook towards electronic market and marketing happens.

With these changes, controllable variables in the marketing system which are called marketing mix have become affected and need for understanding, similarity and adaptation and

confidence in efficiency of the marketing model has become twice as important. Since in current conditions markets cannot be analyzed based on traditional reference frameworks such as traditional marketing mix, discovery and following the new mix which creates the possibility for healthy breathing in an electronic environment has gained increased importance. In this paper, it has been endeavored with an outlook towards multilateral changes and their effects on digital marketing to reevaluate the method of using digital marketing, which is like competitive ammunition in the hand of the retailer or producer and to present a way for increasing exports of the Pars Wagon Company.

Considering the above mentioned, this research seeks to answer what is the influence of internet marketing strategy on the growth of the export market (case study: Pars Wagon Company).

### **Research Questions**

Q1. Does coverage of some expenses of participation in trade-marketing missions for target markets influence development of export of railway products?

Q2. Does support of educational activities of digital marketing in the export sector influence development of export of railway products?

Q3. Does creation of representative offices for digital marketing outside of the country influence development of export of railway products?

Q4. Does assistance of digital marketing programs influence development of export of railway products?

### **Research Hypotheses**

H1. Coverage of some expenses of participation in trade-marketing missions for target markets influences development of export of railway products.

H2. Support of educational activities of digital marketing in the export sector influences development of export of railway products.

H3. Creation of representative offices for digital marketing outside of the country influences development of export of railway products.

H4. Assistance of digital marketing programs influences development of export of railway products.

### **Theoretical Bases of the Research**

Exports provide opportunity for creation of diversity in the market and learning by virtue of competition and permission for taking advantage of different growth rates in markets for companies and decrease their dependence to a particular market and provide ability to survive in new environments for them. Now a day, growth of exports is a key for economic innovation for governments (Roberto, Mughan, Terry, 2012)

Governments have key role in promoting foreign trade activities by internal agencies by way of programs of export development (Behyan, Mina, et al, 2011).

Considering the possibility of depletion of oil resources, planners and governmental officials in this country have reached the belief that development of non-oil exports is a critical matter. During the 2000's decade in our country persistence in growth of oil exports faced difficulties. On the other hand, increased costs of production of most export merchandise due to various reasons led to weakening of the competitive situation of exporters in target markets. For this reason, revitalization of export rewards has gained attention of superintendents and according to band (5) of the 19th amendment of the budget law of 2002, the government gained permission to allocate equivalent to one percent (1%) of the reserve savings of the export guarantee trust of Iran with the confirmation of the organization for management and planning for encouragement of exports.

Increased gap in the country's trade balance particularly in recent years has encouraged the government to support non-oil export sectors in an organized manner (Griffith et al, 2012).

The policy of export development is an extrovert approach in international trade guidelines which has the purpose of helping development and well-fare of society by way of promotion of export. The consequence of development of export in every country is job creation, increased acquisition of currency income and trade interactions with other countries in the world. On this basis, various countries for achieving this important benefit adopt different support measures to developing their exports (Kaleka, 2012).

The history of export development goes back to 13 years ago when the issue of export prizes or incentives was emphasized as a factor for extroversion of the economy of Iran in the eighth government with the idea that growth of exports will lead to entrance of currency to the country and increased economic incomes. On this basis, the government initially allocated export rewards for three years and subsequently export assistance and ultimately facilities for attendance to foreign exhibitions, stationing and trade-marketing missions and investments were made available and in the following years, the breadth of coverage of items included more prizes for export (Safarli, 2007).

In the discussion on export of railway products, numerous cases such as increased production, promotion of product quality, improved standards, attention to training of producers and relevant human resources and acquisition of target export markets have major role. One of the effective strategies in development of exports has been promotion and support programs and creation of facilities in the frame of appropriate trade policies. In the third and fifth economic development plans, development of exports was emphasized. Considering the importance of the topic, the purpose of our research is evaluation of the level of use of railway export products from promotional policies and related effects (Hassangholipour, 2010).

International trade is business relations between countries and an instrument for transfer of new ideas, novel technology, new management and other skills. Trade leads to encouragement and facilitation of flow of international capital from foreign developed nations to developing countries. Yet, there are some limiting factors in the trend of international trade which harness progress of business. Thus, various scientists such as Adam Smith, David Ricardo, Stewart Mill, Hiksher and Ohlin, etc who have presented different theories in this section of the science of economy are still quoted in international trade (Moshabeki, et al, 2012).

Even though now a day trade can be considered as a growth engine; yet, it can still (in addition to benefits resulting from relative advantage) help developing countries tremendously. Haberler is among those individuals who have referred to the useful and important effects of international trade on economic development.

Based on the traditional theory of trade, if every country endeavors in production of products that they have relative advantage in, global production will increase and interests can be increased via transactions compared to the past. Considering the supply of raw production material and technology among developed and developing countries and based on the theory of relative advantage, developing countries should try to produce and export raw material (oil), minerals and food products to developed countries and in return import industrial products. In the past two decades, the assumption of "complete competition" and "stable return relative to production scale" in the traditional model has given way to "incomplete competition)" and "increasing return relative to production scale". New models on the one hand have created doubt regarding the level of ability for relative advantage for explaining the reason for trade. On the other hand, they have opened way for governmental intervention in trade by way of implementing import limitations and export assistance (incentives) which can under certain conditions be to the advantage of the national economy (Bagheri and Salar, 2013).

Principally, governments attempt provision of substructures and facilities for interests of their own producers and industrialists with attention to existing capabilities and competitive advantages so they can apply their abilities in the direction of increased production with higher quality and increased gaining of global markets (Kotabe and Czinkota, 1992). Along history, governments have provided stimulants for exports whether in the frame of support programs (Czinkota, 1996; Gencturk Estra & Kotabe Maseaki, 2004; Leonidou et al, 2011) or in the frame of institutes such as export development banks (Banks Axiom) (Wilkson Timothy et al, 2012).

Export development programs in Iran have been constructed based on focus on principles (awareness, information, experience in the process of learning in the international competition environment and motivation of trade environment towards export goals and creation of necessary substructures for facilitation of exports). In the opinion of many internal and external specialists, Iran has very good potential for non-oil export development and the railway section due to possessing product export potential and expansiveness of this industry and its connection with many economic and social sections and ... at the national level is considered one of the most important economic areas of the country and with creation of new job opportunities in this domain for their work force has the advantage of higher added value for the national economy.

Based on the investigation by the United Nations economic and social commission for Asia and the Pacific Ocean rim in 1992, all countries in this region (ESCAP) with the purpose of export development and overall extroversion of their economy have used relatively similar export promotion systems, but the degree of their efficiency has not been the same. Although, it should be noted that initially influence of export support programs is a matter of necessity which differs in various countries depending on environmental and economic conditions and there is no unified or globally inclusive viewpoint about this topic.

### ***Export Incentives***

Export promotion programs are among initiatives in the direction of encouragement and support of exporters so export is increased and facilitated such as provision of subsidies. Export motivators can be divided based on the stimulant source into two group internal and external stimulants (Kumcu et al, 1995). Internal stimulants are factors related to the internal environment of the company. Yet, external stimulants have root in the mother environment or foreign country. Additionally, based on the nature of stimulants, they can be divided into active and reactive stimulants (Shamsuddoha, 1982). In this classification, proactive stimulants are those that result from internal qualifications and abilities unique to firms. These factors are called pull factors. Reactive or pressure factors are stimulants that lead to involvement of the company in export for responding to pressure or stimulation by environmental variables. Therefore, export promotion programs are external and reactive export stimuli that may influence the performance or export strategy of companies.

These promoters have various kinds among which we can name tax exemptions for production of export products, creation of facilities for merchandise export and granting export prizes, financial assistance for hosting or attending exhibitions outside of the country, financial assistance for participation in trade-marketing missions to target markets, assistance to marketing programs, help in creation and development of trade centers outside of the country, support of export management companies, support of educational activity development, creation and development of trade points, creation of representative trade offices outside of the country and ultimately direct payment as material incentive to exporters. Among the simplest incentives is direct payment to exporters. Export motivators can be present at any stage of export development from the preliminary stage of pre-exportation to more advanced stages regarding involvement and commitment or at a stage in the middle of this process (Brooks , 1982).

***What is the experience of other countries regarding export promoters?***

Based on studies in the institute for trade research and studies, evaluation of programs and policies of supporting exports in countries such as Malaysia, Indonesia, India, Brazil and Turkey show that each of these countries have adopted different programs for encouragement and support.

**Table 1: The experience of other countries regarding export promoters**

China	Costs of electrical utility for factories is less than cost of electrical utility for households
	Tax payment rate for factories is at its lowest
	Raw material import tariff for factories is low
	Foreign investors are exempt of tax payment by production unit donations in the country of China for 50 years
	Exporters are provided with governmental assistance of 5 to 20 percent based on export value in return for their exporting activities
	Payment of facilities for productions in the process of bankruptcy in a matter of at most seven days with interest
India	Assistance for exporters with regards to provision of costs of marketing and advertisement
	Granting of middle term and long term credit to industrial producers
	Creation of facilities for use of foreign financial resources for purchase of industrial equipment
	Granting of reward and prize for export performance based on volume and level of export and kinds of export merchandise
	Granting specific licenses for merchandise import without payment of customs fees to exporting units
	Exemption of customs fees and toll payment for imported raw material and intermediary merchandise
Indonesia	Tax exemption on export income that have significant motivation for exporting
	Special discounts on transportation costs particularly by ship and vehicles
	Exemption from payment of customs tolls and fees for importing raw material and intermediary products
	Redemption of customs fees and tolls for import of raw material and parts used in production
	Payment of export prize to exporters, granting of export guarantees and establishment of export insurance system
	Assistance to agencies for marketing and advertisement
	Delivery of second hand equipment from public factories to self-employed units
	Provision of nuclear equipment and machines for self-employed nuclei with transfer of technical equipment by way of long term renting or retail
Turkey	Redemption of tax received from export merchandise to exporters
	Exemption from tolls for direct payment on export merchandise
	Support of transportation energy for exporters (return of fuel tax to exporters)
	Financial assistance and low price banking facilities for research projects
	Financial assistance and low price banking facilities for hiring specialist forces
	Financial assistance and low price banking facilities for creation of communications offices and retail centers
	Financial assistance and low price banking facilities for attendance to specialty exhibitions



Of their exporters and they have implemented various financial supports for export in the frame of insurance, tax and currency supports. The countries of China and Netherlands are known as the largest exporters of railway products in the world. They have been mentioned below. With comparison of the summation of these data, we hope to reach an appropriate strategy for promotion of railway product motivators in Iran and a preamble is created for increased development of export in this section (Johanson and Czinkota, 1982).

### **Research Background**

Below some research performed in the past related to the topic “Effect of Internet Marketing Strategies on Development of the Export Market (Case Study: Pars Wagon Company)” are mentioned:

- Jalal Dehghan Saiij performed a study in 2010 titled “Evaluation of influential factors on textile export development” with the purpose of investigating the importance of none oil export. Results of TOPSIS and AHP showed that product quality and companies’ strategic outlook regarding participation in global markets are among the most influential factors on exports.

- Hassan Valibeigi in 2009 prepared an article with the purpose of evaluation of promoting policies for export development in selected countries in industries with high technology and showed that the government with use of precise programs along with appropriate promoting policies has been able to provide a proper atmosphere for production and exportation in various domains.

- Gencturk and Kotabe (2004) also noted that use of export promoting programs influences the relationship between export involvement and performance and showed that use of programs that encourage exports is not influential on efficiency and effectiveness of exports. Yet, it is influential on the competitive situation of the company in international markets.

- Coors and Rosen in 1994 authored an article titled “Decision support model for planning and evaluating export activities by governmental promoting programs.” The purpose of this article was creation of a model for planning and evaluating export promotion programs.

- Kumcu, Harcar and Kumcu divided export promotion programs into three group financial incentives (including tax exemptions, export loans, license for replacement with imported raw materials and export insurance), technical assistance (promotion of marketing in target countries, import assistance to exporters and support of export transportation) and other incentives (revision of bureaucracy and export prizes).

- The study by Ganjal in Canada showed that these programs have meaningful effect on agricultural exports, but this influence gradually decreases and the demand for exports of agricultural products is tensile.

- The research by Adhikari and Padalmored evaluated the important influential factors on the demand for wheat export with emphasis on export promotion programs in America. They confirmed a negative correlation between price and exchange rate and a positive correlation between export promoters and gross national product with exports.

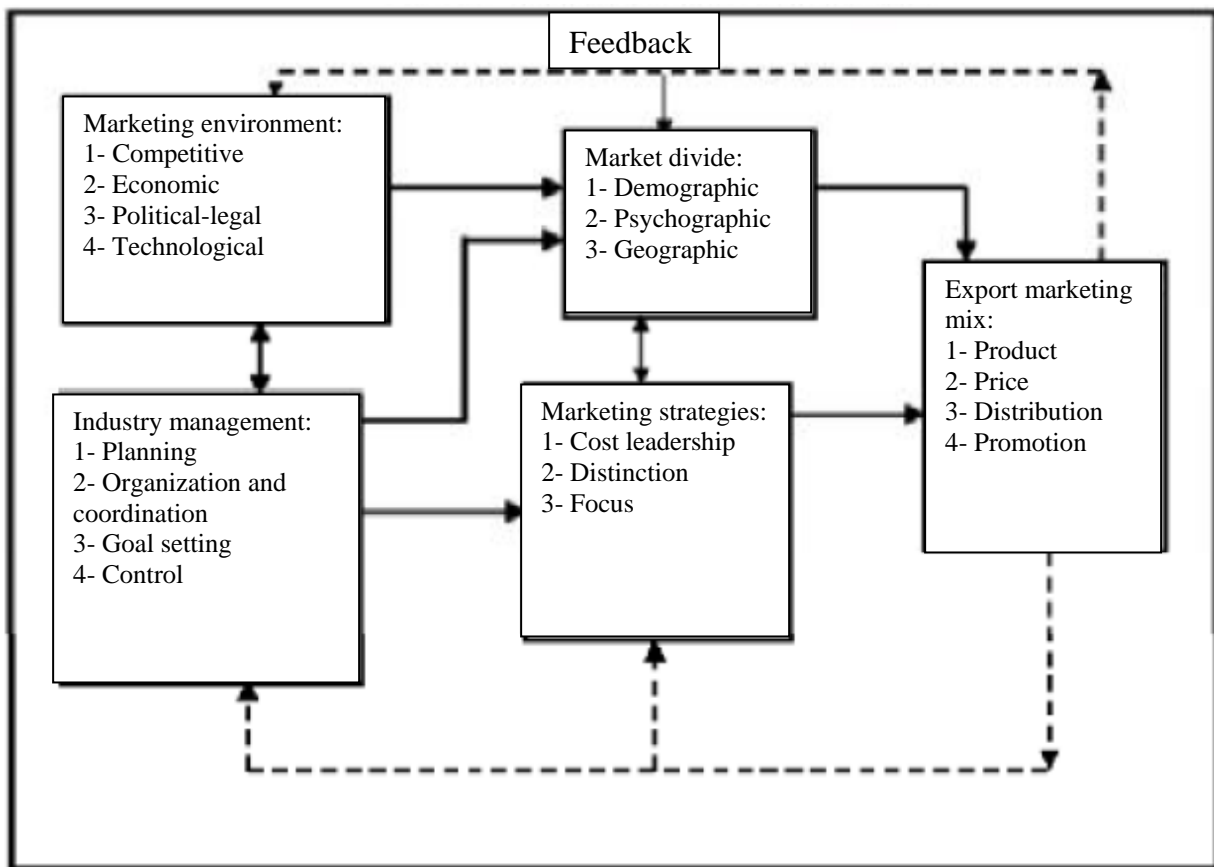
- Additionally, Gusford in 2007 evaluated the influence of omission of export promotion policies in European and American governments and confirmed a positive and meaningful correlation between these policies with exports and showed that this omission is not advantageous for any of these governments.

- Zia (2006) evaluated the effect of export promoters on exports in Pakistan and showed that they have a positive and meaningful influence on exports and omission of these incentives leads to significant decrease in exports and economic costs of this decrease has been estimated at close to 75 percent of the gross national product.

- Lute and Aranez believe that export prizes lead to decreased global prices and change of shape of trade flows. The amount of product transferred to global markets is not dependent on the price of exporters and their competitors, but it is dependent on the government's decision on how much of the internal market is exported.

### Development of Hypotheses and Conceptual Model

Based on the above information, the following conceptual model is presented. In design of such a model causal order, precedence and delayed factors should be considered and this relationship has been formulated based on the researcher's conclusions and inferences regarding the topic under discussion.



**Figure 1: Conceptual model for digital marketing and export of the Pars Wagon Company**

Design of such model is very important for three reasons:

1. Most of the studies in the past show separate and uncoordinated attempts for research and examination of limited dimensions of general models; while, this research evaluates these factors in relations with each other and concurrently.

2. Endeavors in past researches have been made at various time points, different weaves and statistical populations. In this research, it has been endeavored to perform concurrent research trials and in relation with the statistical population and unified and specific sample.

3. The research design for such studies in the past has at times been contrary to each other. Also, at times in these studies, expressions and definitions and application of variables have not been adaptable.

### Methodology

In this research instrument used for collection of information was questionnaire and its reliability was calculated using the Cronbach's alpha method. Questionnaire used was the "export questionnaire with reliability of 0/937." A total of 37 employees of Pars Wagon Company constituted the study population. Questionnaires were distributed randomly among a group where finally 25 were completed and analysis was performed on them. It should be noted that the questionnaire used had 23 items. In this research, the Kolmogorov-Smirnov, t and binomial tests were used. Therefore, for describing the variables that have normal distribution and for better results, the t-test was used. Additionally, for description of variables with non-normal statistical distribution, the binomial test was used. For evaluation of normalcy of the distributions, the one-dimensional Kolmogorov-Smirnov test was used. Table 2 shows the result of this test for the main variables of this research.

**Table 2: Statistical information related to the one dimensional Kolmogorov-Smirnov test**

Variable	Significance level	Statistical distribution
Effect of coverage of some expenses	0.049	Non normal
Effect of support of educational activities development	0.059	Normal
Effect of creation of representative offices	0.161	Normal
Effect of assisting digital marketing programs	0.011	Non normal

**Table 3: Results of T test for research variables (normal variables)**

Variable	Significance level	Lower level	Higher level
Effect of support of educational activities development	0.306	-0.6940	0.2273
Effect of creation of representative offices	0.301	-1.271	0.3938

As noted above, in both variables, significance level is higher than 5 percent. This means that the level of these variables is not high but moderate.

To evaluate the situation of the non-normal research variables, the binomial test was used the result of which is shown in Table 4.

**Table 4: Results of binomial test for research variables (non-normal variables)\***

Variable	Group	Number observed	Test ratio	Significance level	Conclusion
Effect of coverage of some expenses	10	0.40	0.50	0.424	Low
	15	0.60			
	25	1.00			
Effect of assisting digital marketing programs	5	0.20	0.50	0.004	High
	20	0.80			
	25	1.00			

\*Error level is 0.05 and test probability is 0.5

As shown in the above table, the effect of covering part of the expenditures is low and the effect of assisting digital marketing programs is high.

### Results of Hypothesis testing

*H1: Coverage of some expenses of participation in trade-marketing missions for target markets influences development of export of railway products.*

Evaluation of this hypothesis is possible from the first row in Table 4. Influence of coverage of part of the expenditures has been obtained to be low. In other words, in the binomial test,



significance level is higher than 5%. This means that most people have considered this effect to be small. Therefore, this hypothesis cannot be accepted.

*H2: Support of educational activities of digital marketing in the export sector influences development of export of railway products.*

This hypothesis can be evaluated using the information in the first row of Table 3. The significance level of the test was obtained to be above 5%. This means that the level of the variable is moderate and most individuals in the sample have mentioned moderate effectiveness. Since this level is not high (mean higher than 3), this hypothesis cannot be accepted.

*H3: Creation of representative offices for digital marketing outside of the country influences development of export of railway products.*

In the second row of the t-test and Table 3 results are similar to the previous case. Inferential mean has been obtained to be close to 3. Since this level is not high (mean higher than 3), this hypothesis cannot be accepted.

*H4: Assistance of digital marketing programs influences development of export of railway products.*

In the second row of Table 4, results show that most individuals have mentioned high effect of this component. In other words, the ratio of individuals that have considered effectiveness high is large. Therefore, the hypothesis is accepted.

### **Discussion and Conclusion**

In summary, results of the research hypotheses are as follows:

Regarding the first hypothesis, the significance level of coverage of part of the expenditures was obtained to be (0.424). In other words, in the binomial test, significance level is higher than 5 percent and this hypothesis cannot be accepted.

Regarding the second hypothesis, the significance level for the test was obtained to be (0.306) which is higher than 5%. Since the level is not high (mean higher than 3), this hypothesis cannot be accepted.

As far as the third hypothesis is concerned, the significance level for the test was (0.301) which is higher than 5%. Since the level is not high (mean higher than 3), this hypothesis cannot be accepted.

Finally, with regard the fourth hypothesis, the significance level for the test was obtained to be (0.004) which is lower than 5%. In other words, in the binomial test, significance level is less than 5%. Therefore, this hypothesis is accepted.

### **Recommendations of the study**

Considering the results obtained, governments can take the following initiatives in the direction of development and improvement of exports:

- Donation and participation in railway exhibitions in countries with common interests
- Increased promotion of the private sector by confidence building for their increased investment in the mentioned industry by way of financial supports, technical and skill supports, granting more export guarantees
- Planning for speeding railway product exportation
- Allocation of specific incentives to products and goal setting for export incentives
- Formulation of appropriate policies and allocation of specific budget to the railway section in the country
- Granting more export guarantees and assisting agencies for marketing and advertisement.

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